BOOK REVIEWS

Economics. By Scott Nearing and Frank D. Watson. New York: Macmillan. Pp. xii+499.

This book should be welcomed by those teachers of economics who are in revolt against the "refinements" of modern theory. Of its 500 pages only 40 are devoted to the theory of distribution. There is no analysis of value and price; no mention of diminishing returns (except in one passage enumerating exploded dogmas); no treatment of money and credit, international trade, or foreign exchange. In place of these topics—which are indeed somewhat hackneyed, like matter and mind in metaphysics—the student is offered a rich and varied mass of economic material, derived from publications of the administrative bureaus at Washington, from President Roosevelt's messages, from current periodical literature, and from works on "practical economics." The only economic theorist whose works receive serious consideration is Professor Patten. The evident purpose of the authors is to acquaint the student with as many facts as possible, without troubling him too much with underlying principles.

It must be admitted that there is a need for textbooks of this character. Every teacher of economics recognizes that many students have such meager knowledge of the facts of business life that economic principles, presented in the usual manner, merely bewilder them. The book under review would provide them with much useful information, at least. It would interest them, also, in spite of an unfortunate literary style, characterized at times by a frisky frivolity, at times by an utterly hopeless pedantry.

The theory of distribution is by far the least satisfactory part of the book—a natural consequence of the omission of an analysis of value. The theory of rent is primitively Ricardian, with an unassimilated injection of ideas as to marginal rents. On p. 346 economic rent is described as the sum of the differential and the marginal rent; on p. 347 it is said that the characteristic feature of rent is that it depends on the superiority of a piece of land over the poorest of its kind—an obvious inconsistency. The theory of interest may be described as a combination of the future-discount and the

productivity theories, with no marginal analysis to give validity to the reasoning. Profits are practically treated as wages, although an unco-ordinated risk theory clings to the explanation of this form of income. The theory of wages explains differences in wages by monopoly position; changes in the general level by differences in rate of increase of the productive factors and by the intricate and one-sided operation of the principle of substitution. It is impossible in this review to disentangle the fallacies and half-truths involved in this theory. Suffice it to say that the reasoning is based upon the dogma that "there can be no general rise or fall of all prices" (p. 366).

This theory is presented in conscious opposition to the productivity theory of wages. Monopoly is held by the authors to render that theory untenable. Their criticism obviously rests upon a confusion of "productivity," as the term is used by the productivity theorists, and "personal efficiency." No school of economists would be so ultra-theoretical as to assert that rewards are at present distributed according to personal efficiency. "Productivity," it is generally recognized, varies according to the external circumstances of demand for and supply of labor; and naturally monopoly is one of the most important of these circumstances. Messrs. Nearing and Watson adduce the difference between American and European wages as a proof that there is no causal connection between productivity and wages (pp. 361, 362). It is pertinent to inquire whether Messrs. Nearing and Watson hold that there is no difference in the productivity of labor in America and in Europe; that the laborer in the sterile fields of Spain is worth as much to his employer as the laborer in the Mississippi Valley to the American employer. It is also worth inquiring what the authors mean by monopoly. Apparently the term is used as if it were equivalent to "scarcity."

Another serious misconception of the productivity theory appears in chap. lxii, where it is alleged that that theory contemplates "cost" as the standard of just wages. The slightest acquaintance with the works of the productivity theorists should suffice to dispel the illusion that commodities at cost price imply labor or the use of capital or the use of land at cost price. Again, there is no reason for the assumption in the same chapter, that the productivity theory is a theory of natural justice. Professor Clark does indeed regard a productivity basis of distribution, under static conditions, as a just one. Everyone admits, however, that under actual conditions there

may be a broken link in the ethical chain. Let the rightful owner of capital have its fruits: but who is the rightful owner? If one answers: the commonwealth, the productivity theory leads, for him, to socialism. In short, there is no ground for the author's assumption that the logical programme of the productivity theorist is government regulation. He will advocate *laissez-faire,* government regulation, or socialism according to his temperament and according to his judgment of the actual economic tendencies of his times.

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State Regulation of Labor and Labor Disputes in New Zealand: A Description and a Criticism. By HENRY BROADHEAD, Secretary to the Canterbury Employers' Association, and for some years Member of the Canterbury Conciliation Board. Christchurch and London: Whitcombe & Tombs, 1908. Pp. 230.

Although Mr. Broadhead confessedly discusses compulsory arbitration from the employers' point of view, his book presents an eminently fair criticism and is a most valuable contribution to the literature of the subject. He gives first a brief historical introduction, followed by an analysis of the Industrial Conciliation and Arbitration Acts Compilation Act of 1905. He clearly shows that conciliation has not played the important part designed for it by Mr. Reeves, who thought that nearly all disputes would be settled by conciliation and that the Arbitration Court would very seldom be brought into requisition. By mutual consent employers and workers have largely ignored the boards of conciliation, and, merely filing a reference, have proceeded to the Arbitration Court for final decision. From the year 1894 to December 31, 1905, 71 cases were settled by the boards and 263 by the Arbitration Court.

Another important point brought out by Mr. Broadhead is the fact that arbitration has multiplied disputes instead of reducing their number. A dispute, by Mr. Justice Cooper's ruling, is not "limited to a dispute having as one of its essentials the condition of actual or probable strife. . . . . It is only necessary that there should be a *difference* concerning the conditions of employment." The purpose of the act, as Mr. John MacGregor has often shown,